Union Telephone Company

TARIFF F.C.C. NO. 2 (ACCESS SERVICE)

TRANSMITTAL NO. 69

ISSUED: June 16, 1999

EFFECTIVE: July 1, 1999

COST SUPPORT

Overview

In accordance with Federal Communications Commissions (Commission) rules, Union Telephone Company (Union) submits the following information in support of its proposed changes to access service effective July 1, 1999.

This filing is made pursuant to Section 61.39 of the Commission's rules.[1] Union is a small, local exchange carrier which serves fewer than 50,000 access lines and is a subset 3 carrier as defined by the Commission's rules under Section 69.602.[2] Union's last annual tariff change was submitted on June 16, 1997 with an effective date of July 1, 1997[3]. Union does not propose, in this transmittal, any modifications to any non-recurring charges or additional labor rates.

Union's switched access rates increased because of an increase in cost, flat demand, and a change how carriers purchase switched transport services.

Union purchased several exchanges from US West in August of 1994. These purchases impacted both revenue requirement and demand

- The acquired exchanges all required significant upgrades to central office and outside plant equipment. Union has and continues to make the required plant upgrades.

---

[1] 47 C.F.R. § 61.39.

[2] 47 C.F.R. § 69.602. Section 61.39 allows LECs with 50,000 or fewer access lines to file tariffs pursuant to Section 61.39 so long as the companies are subset 3 carriers as defined under Section 69.602.

[3] Union filed revisions to access charges, as directed by the COMMISSION in its *Access Charge Reform Order*. *Access Charge Reform*, CC Docket No. 96-262; *Price Cap Performance Review for Local Exchange Carriers*, CC Docket No. 94-1; *Transport Rate Structure and Pricing*, CC Docket No. 91-213; *End User Common Line Charges*, CC Docket No. 95-72, First Report and Order, 12 FCC Rcd 15928 (1997) FCC 97-157 (released May 16, 1997) (*Access Charge Reform Order*).

- Union used records generated by US West to bill access. When Union converted to their own recording, the volume decreased significantly. Union has not been able to determine the cause of the decrease, but they have verified the accuracy of their recordings. As a result, usage actually declined between 1996 and 1997.

Revenue Requirements

Union has determined revenue requirement amounts for the rates filed in this transmittal based on cost studies performed pursuant to the Commission's Part 36 rules for jurisdictional separations procedures[4] and Part 69 rules for access charges.[5] The cost studies are based on audited financial statements reflecting operating results accounted for consistent with the Part 32 Uniform System of Accounts (USOA).[6] Union has determined the nonregulated portions of financial data used for Part 36 jurisdictional separations based on application of Part 64 cost allocation rules.[7] Careful consideration has been given to remove nonregulated investment and expenses from the cost studies. The resulting regulated expense and investment "Subject to Separation" amounts have been input in the respective 1997 or 1998 cost study utilizing the company's Part 36/69 allocation model.[8] The traffic sensitive revenue requirements developed from these cost studies comprise four major components. These components are:

1. Local Switching
2. Local Transport
3. Information Surcharge

[4] 47 C.F.R. Part 36, §§ 36.1 – 36.741.

[5] 47 C.F.R. Part 69, §§ 69.1 – 69.622.

[6] 47 C.F.R. Part 32 §§ 32.1 – 32.9000. Union is a Class B telephone company under Sections 32.11 and 32.9000, respectively 47 C.F.R. § 32.11 and 47 C.F.R. § 32.9000. Accordingly, Union utilizes the Part 32 USOA accounts prescribed for Class B telephone companies.

[7] 47 C.F.R. Part 64, Subpart I, §§ 64.901 – 64.902.

[8] The company utilizes the services of a professional consulting firm to provide these results.

4. Special Access

The two years have been averaged to provide a historical annual revenue requirement.

Demand

Union regularly tracks access minutes charged to interexchange carriers. These minutes have been gathered by month and by exchange,[9] for both originating and terminating and have been summarized into annual figures. In addition, Union has gathered data related to interexchange carriers that purchase direct trunking. This has been done in order to capture the base minutes utilized for development of the transport switched termination rate element. Finally, Union has gathered its special access inventory as of 1997 and 1998. The average of this inventory has been utilized for pricing of special access services.

Rate Development

Upon successful computation of revenue requirements and gathering of interstate access demand, the following methodologies have been utilized to develop access rates.

Local Switching

The average annual local switching revenue requirement has been utilized as the starting point for local switching. From this starting point, Union has subtracted the estimated local switching support expected to be recovered from the Universal Service Administrative Company (USAC) to calculate a net-local switching revenue requirement to be recovered from access charges. This net amount has been divided by the average annual demand for 1997 and 1998 to produce the local switching rate.

Information Surcharge

[9] Union operates in seven different exchanges, with two host offices and 5 remote offices.

Union has utilized the average annual Information Surcharge revenue requirement as the starting point for calculation of the information surcharge. This amount has been divided by the average demand for 1997 and 1998 to produce the information surcharge per minute rate. Since Union charges this rate element on a per 100 minute basis, the resulting rate has been divided by 100 to produce the information surcharge rate.

Transport

Union has utilized special access voice grade rates (channel mileage termination and channel mileage facility) as the starting point for transport switched termination (TST) rates. Union performed a special study in its January 1, 1998 compliance filing to determine the average number of minutes transported over a voice grade trunk. In this study, the company calculated the "A" component of the TST rates by dividing the average cost per voice grade special access circuit by the average minutes per voice grade trunk. The "B" component, as directed by the FCC in its *Access Charge Reform Order,* consists of an amount equal to the cost to provide host-remote facilities divided by the remote minutes utilizing those facilities. Summing of the "A" and "B" components produces the TST rate. Revenue resulting from multiplying the common transport minutes by the TST rate has been subtracted from the total transport revenue requirement to produce a residual amount. Revenues from flat rated direct trunks have been subtracted from this residual amount for a net amount available for tandem interconnection charges (TIC). This amount has been divided by the local switching demand to produce the per minute TIC charge.

Special Access

Union utilizes the average annual special access revenue requirement as the starting point for special access rate elements. Union has utilized the relationship between the National Exchange Carrier Association's (NECA's) rate elements (channel termination, channel mileage terminations and channel mileage facilities) to divide its revenue requirement into sub-element revenue requirements. In turn, Union has divided this sub-element revenue requirement by Union's sub-element average inventory to come up with a base 2W service price. Union has utilized the NECA relationships to divide the revenue requirement among the different services (Voice Grade 2W and 4W, digital data, program audio and high capacity) in order to produce the rate elements for each sub-element and service. Upon completion of this process, the demand has been multiplied by the rates to ensure revenues would equal the revenue requirement. Union meets the Commissions 1:1.6 crossover for 2-wire to 4-wire CT pricing and is within the Commission mandated 4:8 cross over between its voice grade service and high capacity service.

Conclusion

Union Telephone Company has utilized historical costs and demand for development of all access rates pursuant to the Commission's Section 61.39 rules. Based on Union's calculation of all access rates pursuant to the Commission's prescribed procedures, Union believes its rates are just and reasonable. As required by the Commission's rules, Union Telephone Company will make available all supporting documents to interested parties upon reasonable request from such parties. Requests for such information can be made to:

GVNW Consulting, Inc.
Attention: Trey Judy
P.O. Box 25969
Colorado Springs, CO 80936
Phone: (719) 594-5800
Fax: (719) 599-0968
e-mail: tjudy@gvnw.com